



Blouberg Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2019

# Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended June 30, 2019

## General Information

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<b>Legal form of entity</b>	Local Municipality Category B
<b>Nature of business and principal activities</b>	Local Government and the provision of basic services to the local community
<b>Executive committee</b>	
Mayor	Pheedi MS
Speaker	Thamaga MN
Chief Whip	Tshoshi MM
Members of executive committee	
	Makobela SR
	Mashalane MS
	Morapedi AM
	Makhura MH
	Rangata MJ
	Maila MP
	Ntlatla MW
Councillors	Mathidza SE
	Masekwameng MR
	Raseruthe MA
	Lehong MV
	Tlouamma NM
	Moetjie NT
	Mojodo MD
	Seema MI
	Maifo ML
	Mokobodi CS
	Moshokoa MS
	Murathi MS
	Molema MN
	Sebetha MJ
	Makgakga JP
	Ramoba MR
	Sekgoloane MJ
	Molokomme MM
	Mphago MA
	Modingwana MG
	Setwaba DS
	Maleka NG
	Magwai RT
	Madzhie AE
	Selamolela S
	Madibana SS
	Phoshoko NC
	Mabolola SJ
	Chula MI
	Morudu Mf
	Madibana MR
	Madiope MT

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## General Information

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	Tefo LT Tjumana MM
<b>Grading of local authority</b>	Grade 3
<b>Municipal Manager</b>	Machaba MJ
<b>Chief Finance Officer (CFO)</b>	Mabote NJ
<b>Registered office</b>	2nd Building Dendron Road Senwabarwana 0790
<b>Business address</b>	2nd Building Dendron Road Senwabarwana 0790
<b>Postal address</b>	P.O.Box 1593 Senwabarwana 0790
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor- General of South Africa

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## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers (Previously IMFO)
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
CDM	Capricorn District Municipality
WIP	Work-in Progress

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 58, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 30, 2019 and was signed by:

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**Machaba MJ**  
**Municipal Manager**

**Date:** \_\_\_\_\_

# Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Position as at June 30, 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	6	4,862,583	7,389,355
Receivables from exchange transactions	7	2,837,418	874,409
Receivables from non-exchange transactions	8	90,207,434	66,401,094
VAT receivable	9	3,212,843	13,688,859
Consumer debtors	10	11,350,252	8,739,800
Cash and cash equivalents	11	7,563,568	15,583,402
		<b>120,034,098</b>	<b>112,676,919</b>
Non-Current Assets			
Investment property	2	3,010,000	-
Property, plant and equipment	3	916,082,649	908,506,009
Intangible assets	4	86,020	232,467
Investments in controlled entities	5	3,090,652	3,089,538
		<b>922,269,321</b>	<b>911,828,014</b>
<b>Total Assets</b>		<b>1,042,303,419</b>	<b>1,024,504,933</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	14	2,675,395	4,748,161
Finance lease obligation	12	517,382	468,546
Payables from exchange transactions	16	42,221,284	39,356,343
Unspent conditional grants and receipts	13	1,139,232	699,785
Provisions	15	19,031,318	17,780,945
		<b>65,584,611</b>	<b>63,053,780</b>
Non-Current Liabilities			
Finance lease obligation	12	303,713	820,102
Provisions	15	6,166,690	5,428,212
		<b>6,470,403</b>	<b>6,248,314</b>
<b>Total Liabilities</b>		<b>72,055,014</b>	<b>69,302,094</b>
<b>Net Assets</b>		<b>970,248,405</b>	<b>955,202,839</b>
Accumulated surplus		970,248,405	955,202,839

\* See Note 38

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	22,984,085	23,336,476
Rental of facilities and equipment	19	684,825	851,274
Licences and permits		3,699,166	3,999,118
Photocopies & Electricity illegal connections	20	43,808	38,150
Tender Documents	20	-	36,916
CDM - Commissions received	20	244,088	237,157
Cemetery, Burial and Plans approval fees	20	140,643	212,753
Valuation Services	20	2,535	-
Interest received on outstanding debtors	20	1,286,914	128,539
Sale of Inventory - Sites/Land	21	3,250,360	286,962
Cattle Grazing	20	52,942	124,685
Interest received - investment	22	1,307,931	1,797,960
Actuarial gains	15	-	491,362
<b>Total revenue from exchange transactions</b>		<b>33,697,297</b>	<b>31,541,352</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	24,056,427	22,472,235
<b>Transfer revenue</b>			
Government grants & subsidies	24	234,299,022	256,301,916
Fines		1,784,480	3,282,760
<b>Total revenue from non-exchange transactions</b>		<b>260,139,929</b>	<b>282,056,911</b>
<b>Total revenue</b>	17	<b>293,837,226</b>	<b>313,598,263</b>
<b>Expenditure</b>			
Employee related costs	25	(105,479,616)	(100,240,828)
Remuneration of councilors	26	(21,347,381)	(19,645,442)
Depreciation and amortisation	27	(35,256,655)	(33,591,018)
Finance costs	28	(1,080,965)	(1,413,022)
Debt Impairment	29	2,313,302	(2,308,637)
Bulk purchases	30	(29,686,446)	(30,319,038)
Contracted services	31	(14,345,769)	(11,753,062)
Loss on disposal of assets and liabilities		(119,130)	(754,846)
Actuarial losses		(265,962)	-
General Expenses	32	(73,523,038)	(94,901,662)
<b>Total expenditure</b>		<b>(278,791,660)</b>	<b>(294,927,555)</b>
<b>Surplus for the year</b>		<b>15,045,566</b>	<b>18,670,708</b>

\* See Note 38

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at July 1, 2017</b>	<b>923,586,465</b>	<b>923,586,465</b>
Changes in net assets		
Surplus for the year	21,963,002	21,963,002
Total changes	21,963,002	21,963,002
Opening balance as previously reported	945,549,467	945,549,467
Adjustments		
Correction of prior period errors (Note 39)	9,653,372	9,653,372
<b>Restated* Balance at July 1, 2018 as restated*</b>	<b>955,202,839</b>	<b>955,202,839</b>
Changes in net assets		
Surplus for the year	15,045,566	15,045,566
Total changes	15,045,566	15,045,566
<b>Balance at June 30, 2019</b>	<b>970,248,405</b>	<b>970,248,405</b>

Note(s)

\* See Note 38



# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		-	10,858,755
Cash receipts from rate payers and other		24,385,846	23,202,185
Grants		233,759,664	255,114,703
Interest income		1,307,931	2,475,497
		259,453,441	291,651,140
<b>Payments</b>			
Employee costs		(128,768,754)	(119,886,270)
Suppliers		(89,221,821)	(139,845,393)
Finance costs		(419,776)	(506,000)
		(218,410,351)	(260,237,663)
<b>Net cash flows from operating activities</b>	34	<b>41,043,090</b>	<b>31,413,477</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(46,522,604)	(60,170,079)
Purchase of other intangible assets	4	-	(156,500)
<b>Net cash flows from investing activities</b>		<b>(46,522,604)</b>	<b>(60,326,579)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(2,072,766)	3,109,390
Finance lease payments		(467,553)	274,307
<b>Net cash flows from financing activities</b>		<b>(2,540,319)</b>	<b>3,383,697</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,019,833)</b>	<b>(25,529,405)</b>
Cash and cash equivalents at the beginning of the year		15,583,402	41,112,807
<b>Cash and cash equivalents at the end of the year</b>	11	<b>7,563,569</b>	<b>15,583,402</b>

\* See Note 38

# Blouberg Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	29,666,000	(2,500,000)	<b>27,166,000</b>	22,984,085	<b>(4,181,915)</b>	Refer to Note 48 (1)
Rental of facilities and equipment	315,000	-	<b>315,000</b>	684,825	<b>369,825</b>	Refer to Note 48 (2)
Licences and permits	4,000,000	-	<b>4,000,000</b>	3,699,166	<b>(300,834)</b>	
Interest received on outstanding debtors	630,700	-	<b>630,700</b>	1,286,914	<b>656,214</b>	Refer to Note 48 (3)
Other income	7,538,971	1,500,000	<b>9,038,971</b>	3,734,376	<b>(5,304,595)</b>	Refer to Note 48 (4)
Interest received - investment	1,700,000	-	<b>1,700,000</b>	1,307,931	<b>(392,069)</b>	Refer to Note 48 (5)
<b>Total revenue from exchange transactions</b>	<b>43,850,671</b>	<b>(1,000,000)</b>	<b>42,850,671</b>	<b>33,697,297</b>	<b>(9,153,374)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	27,000,000	(500,000)	<b>26,500,000</b>	24,056,427	<b>(2,443,573)</b>	Refer to Note 48 (6)
<b>Transfer revenue</b>						
Government grants & subsidies	240,190,176	-	<b>240,190,176</b>	234,299,022	<b>(5,891,154)</b>	
Fines	3,440,343	-	<b>3,440,343</b>	1,784,480	<b>(1,655,863)</b>	Refer to Note 48 (7)
<b>Total revenue from non-exchange transactions</b>	<b>270,630,519</b>	<b>(500,000)</b>	<b>270,130,519</b>	<b>260,139,929</b>	<b>(9,990,590)</b>	
<b>Total revenue</b>	<b>314,481,190</b>	<b>(1,500,000)</b>	<b>312,981,190</b>	<b>293,837,226</b>	<b>(19,143,964)</b>	
<b>Expenditure</b>						
Personnel	(108,264,701)	1,765,000	<b>(106,499,701)</b>	(105,479,616)	<b>1,020,085</b>	
Remuneration of councillors	(16,756,624)	-	<b>(16,756,624)</b>	(21,347,381)	<b>(4,590,757)</b>	
Depreciation and amortisation	(39,314,841)	1,000,000	<b>(38,314,841)</b>	(35,256,655)	<b>3,058,186</b>	
Finance costs	-	-	-	(1,080,965)	<b>(1,080,965)</b>	Refer to Note 48 (8)
Debt impairment	(7,558,875)	500,000	<b>(7,058,875)</b>	2,313,302	<b>9,372,177</b>	
Repairs and maintenance	(4,370,000)	1,520,000	<b>(2,850,000)</b>	(2,119,504)	<b>730,496</b>	Refer to Note 48 (9)
Bulk purchases	(30,000,000)	-	<b>(30,000,000)</b>	(29,686,446)	<b>313,554</b>	
Contracted Services	(12,705,000)	(41,097,815)	<b>(53,802,815)</b>	(14,345,769)	<b>39,457,046</b>	
General Expenses	(81,591,545)	34,411,316	<b>(47,180,229)</b>	(71,403,534)	<b>(24,223,305)</b>	
<b>Total expenditure</b>	<b>(300,561,586)</b>	<b>(1,901,499)</b>	<b>(302,463,085)</b>	<b>(278,406,568)</b>	<b>24,056,517</b>	
<b>Operating surplus</b>	<b>13,919,604</b>	<b>(3,401,499)</b>	<b>10,518,105</b>	<b>15,430,658</b>	<b>4,912,553</b>	
Loss on disposal of assets and liabilities	-	-	-	(119,130)	<b>(119,130)</b>	
Actuarial gains/losses	-	-	-	(265,962)	<b>(265,962)</b>	

## Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	(385,092)	(385,092)	
<b>Surplus before taxation</b>	<b>13,919,604</b>	<b>(3,401,499)</b>	<b>10,518,105</b>	<b>15,045,566</b>	<b>4,527,461</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>13,919,604</b>	<b>(3,401,499)</b>	<b>10,518,105</b>	<b>15,045,566</b>	<b>4,527,461</b>	

# Blouberg Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	1,714,880	2,000,000	3,714,880	4,862,583	1,147,703	
Receivables from exchange transactions	4,691,947	-	4,691,947	2,837,418	(1,854,529)	
Receivables from non-exchange transactions	16,846,806	-	16,846,806	90,207,434	73,360,628	
VAT receivable	-	-	-	3,197,875	3,197,875	
Consumer debtors	24,348,656	-	24,348,656	11,350,252	(12,998,404)	
Cash and cash equivalents	61,697,399	-	61,697,399	7,563,568	(54,133,831)	
	<b>109,299,688</b>	<b>2,000,000</b>	<b>111,299,688</b>	<b>120,019,130</b>	<b>8,719,442</b>	

##### Non-Current Assets

Investment property	-	205,000	205,000	3,010,000	2,805,000	
Property, plant and equipment	1,002,108,167	-	1,002,108,167	916,082,649	(86,025,518)	
Intangible assets	-	-	-	86,020	86,020	
Investments in controlled entities	3,097,326	-	3,097,326	3,090,652	(6,674)	
	<b>1,005,205,493</b>	<b>205,000</b>	<b>1,005,410,493</b>	<b>922,269,321</b>	<b>(83,141,172)</b>	

<b>Total Assets</b>	<b>1,114,505,181</b>	<b>2,205,000</b>	<b>1,116,710,181</b>	<b>1,042,288,451</b>	<b>(74,421,730)</b>	
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#### Liabilities

##### Current Liabilities

Other financial liabilities	-	-	-	2,675,395	2,675,395	
Finance lease obligation	-	-	-	517,382	517,382	
Payables from exchange transactions	25,000,000	-	25,000,000	42,221,287	17,221,287	
Unspent conditional grants and receipts	1,400,000	-	1,400,000	1,139,232	(260,768)	
Provisions	-	-	-	19,031,318	19,031,318	
	<b>26,400,000</b>	<b>-</b>	<b>26,400,000</b>	<b>65,584,614</b>	<b>39,184,614</b>	

##### Non-Current Liabilities

Finance lease obligation	-	-	-	303,713	303,713	
Provisions	2,830,056	-	2,830,056	6,166,690	3,336,634	
	<b>2,830,056</b>	<b>-</b>	<b>2,830,056</b>	<b>6,470,403</b>	<b>3,640,347</b>	

<b>Total Liabilities</b>	<b>29,230,056</b>	<b>-</b>	<b>29,230,056</b>	<b>72,055,017</b>	<b>42,824,961</b>	
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<b>Net Assets</b>	<b>1,085,275,125</b>	<b>2,205,000</b>	<b>1,087,480,125</b>	<b>970,233,434</b>	<b>(117,246,691)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	1,085,275,125	2,205,000	1,087,480,125	970,233,435	(117,246,690)	
Undefined Difference	-	-	-	(1)	(1)	
<b>Total Net Assets</b>	<b>1,085,275,125</b>	<b>2,205,000</b>	<b>1,087,480,125</b>	<b>970,233,435</b>	<b>(117,246,690)</b>	

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Comparative figures

Budget information in accordance with GRAP 1 and 24 has been provided in the statement of comparison of the budget and actual and forms part of the financial statements.

When the presentation or classification of the items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the classification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality's material variance is considered when there is a 6% deviation from the budget and actual.

#### Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional deficit of - in its 2019 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

#### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost except land which is carried at Revaluation in line with the valuation roll. The Revaluation is performed every 5 years

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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### 1.5 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Infrastructure		5 - 60
Roads and paving		5 - 50
Concrete		5 - 80
Electricity		5 - 50
Computer Equipment		5 - 16
Plant and Machinery		5 - 17
Buildings		5 - 50
Recreational facilities		5 - 50
Security		5 - 50
Halls		5 - 50
Libraries		5 - 50
Parks and gardens		5 - 50
Other assets		5 - 50
Other property, plant and equipment		5 - 50

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### 1.5 Property, plant and equipment (continued)

Specialist vehicles	5 - 15
Office equipment	5 - 10
Furniture and fittings	5 - 16
Motor vehicles	5 - 22
Bins and Containers	10 - 20
Specialised past and equipment	5 - 10
Other items of plant and equipment	5 - 15
Leased assets	3 - 5
Emergency equipment	5 - 10
Heritage assets	5 - 50
Paintings and artifacts	5 - 50

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as change in the accounting estimate..

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.



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### 1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer softwares	Straight line	3 to 5 years

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Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Investments in controlled entities

The municipality recognise investments at fair value. Interest on investments are recognised on statement of financial performance.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

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### 1.8 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash and cash equivalent;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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### 1.8 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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### 1.9 Inventories (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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### 1.11 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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### 1.12 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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### 1.13 Revenue from exchange transactions (continued)

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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### 1.14 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.



# Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.20 Budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.23 VAT

VAT is accounted for on accrual basis in the financial records

## Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended June 30, 2019

### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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#### 2. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3,010,000	-	3,010,000	-	-	-

#### Reconciliation of investment property - 2019

	Opening balance	Transfers	Total
Investment property	-	3,010,000	3,010,000

#### Reconciliation of investment property - 2018

	Opening balance	Other changes, movements	Total
Investment property	205,000	(205,000)	-

During the current year it was identified that an amount of R205 000 was incorrectly classified as Investment property from the prior years, this cost was restated and written off and adjusted for the prior period possible.

#### Details of property

## Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	54,352,247	(20,581,443)	33,770,804	57,362,247	(18,998,405)	38,363,842
Infrastructure	1,011,446,761	(375,289,303)	636,157,458	1,007,397,383	(352,408,383)	654,989,000
Community Assets	195,483,141	(46,885,720)	148,597,421	195,483,141	(39,327,902)	156,155,239
Other Assets	33,484,568	(9,617,536)	23,867,032	36,740,346	(10,034,167)	26,706,179
WIP - Community Assets	26,016,348	-	26,016,348	19,951,505	-	19,951,505
WIP - Infrastructure	47,673,586	-	47,673,586	12,340,244	-	12,340,244
<b>Total</b>	<b>1,368,456,651</b>	<b>(452,374,002)</b>	<b>916,082,649</b>	<b>1,329,274,866</b>	<b>(420,768,857)</b>	<b>908,506,009</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Total
Land and Buildings	38,363,842	-	-	-	(3,010,000)	(1,583,038)	33,770,804
Infrastructure	654,989,000	708,928	-	3,340,451	-	(22,880,921)	636,157,458
Community	156,155,239	-	-	-	-	(7,557,818)	148,597,421
Other Assets	26,706,179	1,075,040	(119,130)	-	-	(3,795,057)	23,867,032
WIP - Community assets	19,951,505	6,064,843	-	-	-	-	26,016,348
WIP - Infrastructure	12,340,244	38,673,793	-	-	(3,340,451)	-	47,673,586
	<b>908,506,009</b>	<b>46,522,604</b>	<b>(119,130)</b>	<b>3,340,451</b>	<b>(6,350,451)</b>	<b>(35,816,834)</b>	<b>916,082,649</b>

## Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended June 30, 2019

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Other changes, adjustments & movements	Depreciation	Impairment loss	Total
Land and Buildings	33,151,958	44,244	-	-	6,750,000	(1,582,360)	-	38,363,842
Infrastructure	651,463,992	24,849,089	-	1,278,850	-	(22,356,065)	(246,866)	654,989,000
Community	151,783,359	11,300,833	-	-	-	(6,928,953)	-	156,155,239
Other Assets	17,146,613	6,749,716	(754,846)	-	6,264,917	(2,700,221)	-	26,706,179
WIP Community Assets	13,173,563	6,777,942	-	-	-	-	-	19,951,505
WIP Infrastructure	3,170,839	10,448,255	-	(1,278,850)	-	-	-	12,340,244
	<b>869,890,324</b>	<b>60,170,079</b>	<b>(754,846)</b>	<b>-</b>	<b>13,014,917</b>	<b>(33,567,599)</b>	<b>(246,866)</b>	<b>908,506,009</b>

During the current year an assessment of useful lives was performed for all Other assets categories which resulted in the adjustment of opening accumulated depreciation with an amount of R6 264 917 and adjusting the accumulated surplus of the previous years. the adjustment is also disclosed in the prior period error.

During the physical verification of assets the municipality identified a piece of land with ERF 178 LS at Bochum with a size equalling 1 181.0398 hectares that was not included in the fixed asset register. An external independent professional valuer Modiba Kholofelo (Professional Associated Valuer 6429, SACPVP (BVP)) of MOD HOPE Properties was appointed to determined the market value of the land which will be regarded as a deemed cost for accounting purposes. The valuer is registered with the South African Council for the Property Valuers Profession. The preferred valuation methodology applied on vacant land was the analysis of comparable market related sales in and around Blouberg and determined a rate per hectare of between R3 368 to R5 714. A consideration was made of the geographical area and the municipal services within Blouberg and all comparable properties within 20 kms radius from the subject property. Current uncertainties regarding the economic outlook and Eurozone was also considered. A rate of R5 714 per hectare was determined with a size of 1 181.0398 to arrive at a market value (deemed cost) of R6 750 000 (rounded to nearest thousands). The amount adjusted the opening balance of Land and Buildings and disclosed as a prior period error.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 4. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	292,744	(206,724)	86,020	292,744	(60,277)	232,467

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	232,467	(146,447)	86,020

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	102,752	156,500	(26,785)	232,467

### 5. Investments in controlled entities

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
ABSA Bank	Blouberg Municipality	100.00 %	100.00 %	3,090,652	3,089,538

The Municipality investment relate to fixed deposit held at ABSA as ESKOM Guarantee to an amount of R3 090 652 (2018: R3 089 538) as at 30 June 2019. The municipality does not have access to the account, only receives interest on the investment. During the year an amount of R229 120 (2018: R207 827) interest was earned from the investment.

### 6. Inventories

Inventory sites	1,581,200	5,178,000
Consumable stores	3,281,383	2,211,355
	<b>4,862,583</b>	<b>7,389,355</b>

### 7. Receivables from exchange transactions

Prepaid electricity Accrued	270,392	512,757
CDM Commission	605,019	360,931
Other Receivables	312,007	721
CDM Grant Receivables	1,650,000	-
	<b>2,837,418</b>	<b>874,409</b>

### 8. Receivables from non-exchange transactions

Traffic Fines	1,784,479	1,890,365
Other receivable- Senior Managers	19,337	1,560,101
Other receivables from non-exchange transactions	798,790	884,955
Rates	87,604,828	62,065,673
	<b>90,207,434</b>	<b>66,401,094</b>

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 8. Receivables from non-exchange transactions (continued)

Included in the Traffic fines receivable there is a provision for impairment of R3 247 363 (2018: R1 770 425). Included also is a debt write off of R- (2018: R3 414 901).

Included in the property rates receivable there is a provision for impairment for R10 788 025 (2018: R13 877 688). Included also is a debt write off of R- (2018: R8 431 140).

#### Receivables from non-exchange transactions

The ageing of these receivables is as follows:

Rates	-	-
Current	298,023	182,638
31-60 days	195,265	180,204
61-90 days	192,016	176,188
91-120 days	183,576	265,756
121-365 days	20,157,047	20,166,760
>365 days	77,140,170	59,748,310
Traffic fines	-	-
Current	192,250	359,400
31-60 days	214,700	235,950
61-90 days	218,850	174,100
91-120 days	173,600	137,400
121-365 days	1,835,050	6,390,283
>365 days	2,396,393	-

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(15,573,312)	(32,679,719)
Provision for impairment	1,531,273	17,106,407
	<b>(14,042,039)</b>	<b>(15,573,312)</b>

### 9. VAT receivable

Vat	3,212,843	13,688,859
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### 10. Consumer debtors

#### Gross balances

Electricity	9,489,749	8,019,470
Refuse	1,086,932	800,973
Interest	2,340,178	3,987,615
VAT on Services	1,646,092	291,672
Sundries	1,792,841	1,427,640
	<b>16,355,792</b>	<b>14,527,370</b>

#### Less: Allowance for impairment

Electricity	(2,666,645)	(3,908,963)
Refuse	(500,758)	(7,492)
Interest	(858,687)	(926,560)
Sundries	(979,450)	(944,555)
	<b>(5,005,540)</b>	<b>(5,787,570)</b>

# Blouberg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>10. Consumer debtors (continued)</b>		
<b>Net balance</b>		
Electricity	6,823,104	4,110,507
Refuse	586,174	793,481
Interest	1,481,491	3,061,055
VAT on Services	1,646,092	291,672
Sundries	813,391	483,085
	<b>11,350,252</b>	<b>8,739,800</b>
<b>Electricity</b>		
Current (0 -30 days)	547,223	316,002
31 - 60 days	421,700	475,644
61 - 90 days	235,509	242,929
91 - 120 days	380,491	340,200
121 - 365 days	2,840,600	2,413,478
> 365 days	6,056,514	3,302,446
	<b>10,482,037</b>	<b>7,090,699</b>
<b>Refuse</b>		
Current (0 -30 days)	47,457	35,580
31 - 60 days	46,332	34,779
61 - 90 days	45,615	33,505
91 - 120 days	44,672	33,022
121 - 365 days	364,251	177,184
> 365 days	612,307	338,771
	<b>1,160,634</b>	<b>652,841</b>
<b>Sundries</b>		
Current (0 -30 days)	18,913	19,829
31 - 60 days	18,784	19,691
61 - 90 days	45,151	19,690
91 - 120 days	18,631	19,569
121 - 365 days	172,355	148,059
> 365 days	1,489,530	1,168,922
	<b>1,763,364</b>	<b>1,395,760</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(5,787,571)	(5,639,041)
Contributions to allowance	782,029	(148,530)
	<b>(5,005,542)</b>	<b>(5,787,571)</b>
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	1,643	638
Bank balances	7,561,925	15,582,764
	<b>7,563,568</b>	<b>15,583,402</b>



# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2019	June 30, 2018	June 30, 2017
ABSA BANK - Current Account - 11 5016 9476	7,401,497	14,275,810	30,769,967	7,401,497	14,275,810	30,769,967
ABSA BANK - Current Account - 40 5735 0474	160,428	1,308,114	247,351	160,428	1,308,114	247,351
<b>Total</b>	<b>7,561,925</b>	<b>15,583,924</b>	<b>31,017,318</b>	<b>7,561,925</b>	<b>15,583,924</b>	<b>31,017,318</b>

### 12. Finance lease obligation

#### Minimum lease payments due

- within one year	576,622	576,322
- in second to fifth year inclusive	316,458	889,927
	893,080	1,466,249
less: future finance charges	(71,985)	(177,601)
<b>Present value of minimum lease payments</b>	<b>821,095</b>	<b>1,288,648</b>

#### Present value of minimum lease payments due

- within one year	516,193	468,546
- in second to fifth year inclusive	304,902	820,102
	<b>821,095</b>	<b>1,288,648</b>

Non-current liabilities	303,713	820,102
Current liabilities	517,382	468,546
	<b>821,095</b>	<b>1,288,648</b>

It is the municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is 3 years and the average effective borrowing rate was 10% (2018: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

#### Defaults and breaches

In the current financial year the municipality never defaulted and/or breached any terms and conditions of the lease contract.

#### Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	821,095	1,288,648
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For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 41.

The fair value of finance lease liabilities approximates their carrying amounts.

# Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

National Skills Fund Grant (NSF)	160,428	699,785
Capricorn District Municipality (CDM)	67,895	-
Energy Efficient Municipal Grant (EEDMP)	134,753	-
Integrated National Empowerment Programme Grant (INEP)	776,156	-
	<b>1,139,232</b>	<b>699,785</b>

#### Movement during the year

Non-current liabilities	-	-
Current liabilities	1,139,232	699,785
	<b>1,139,232</b>	<b>699,785</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### 14. Other financial liabilities

#### At amortised cost

Unallocated deposits	2,675,395	4,748,161
Terms and conditions		

This relate to monies received from individuals and companies with either incorrect reference numbers or without references which cannot be allocated when identified as received for less than three years. This relate to monies both received in current year and prior years, the municipality policy is to recognise the monies received unallocated as revenue when it is not claimed for more than a period of three years. All those monies which have been received for more than three years, an advert in the local newspaper is done to allow those who deposited monies in the municipality account to come forward and provide supporting documentations so that the municipality can allocate funds for a reasonable period of time. Failure of individuals to provide evidence will result in the municipality recognising the monies as revenue.

#### Current liabilities

At amortised cost	2,675,395	4,748,161
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## Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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#### 15. Provisions

##### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	9,055,115	1,178,099	-	10,233,214
Provision for leave	8,725,830	72,274	-	8,798,104
Provision for long-service awards	5,111,351	1,209,585	(493,318)	5,827,618
Provision for performance bonus	316,861	22,211	-	339,072
	<b>23,209,157</b>	<b>2,482,169</b>	<b>(493,318)</b>	<b>25,198,008</b>

##### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for restoration cost for landfill site	7,737,802	476,529	-	-	840,784	9,055,115
Provision for leave	7,335,364	2,568,743	(1,178,277)	-	-	8,725,830
Provision for long-service awards	4,911,000	507,000	(321,287)	506,000	(491,362)	5,111,351
Provision for performance bonus	866,033	-	-	(549,172)	-	316,861
<b>Total Provisions</b>	<b>20,850,199</b>	<b>3,552,272</b>	<b>(1,499,564)</b>	<b>(43,172)</b>	<b>349,422</b>	<b>23,209,157</b>
Non-current liabilities					6,166,690	5,428,212
Current liabilities					19,031,318	17,780,945
					<b>25,198,008</b>	<b>23,209,157</b>

The provision represents management's best estimate of the municipality's liability based on the experience and knowledge.

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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### 15. Provisions (continued)

Provision is made for employees who are having leave credit at the end of the financial period and is provided up to 48 days in terms of SALBC agreement. The leave provision is calculated by taking the total basic salary divide by number of working days per year multiply by the number of days unused/remaining.

#### Provision for performance bonus

Performance bonus is the benefit paid to the executive management after performance assessment are being done and expectations or targets are met. Performance bonus is calculated at 14% of the total package.

#### Provision for long -service awards

The employees of Blouberg qualifies for the following long service award additional leave for various periods of uninterrupted service

- 10 years uninterrupted service: 10 working day's leave
- 15 years uninterrupted service: 20 working day's leave
- 20 years uninterrupted service: 30 working day's leave
- 25 years uninterrupted service : 30 working day's leave
- 30 years uninterrupted service: 30 working day's leave
- 35 years uninterrupted service: 35 working day's leave
- 40 years uninterrupted service: 30 working day's leave
- 45 years uninterrupted service: 30 working day's leave

The Long Service Awards are defined benefit plans. As at year end 30 June 2019 186 (2018:195) employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability as at 30 June 2019 is estimated at R5 827 618 (2018: R5 111 351). The current cost for the year ending 30 June 2019 is estimated at R523 847 (2018: R507 000).

Key actuarial assumptions used

#### Rate of interest

Discount rate	8.25%	8.62%
General salary inflation ( long term)	5.27%	6.21%
Net Effective Discount Rate applied to Long Service Bonuses	2.64%	2.27%

The amounts recognised in the statement of the financial position are as follows:

#### Present Value of fund obligation

Reconciliation of present value of fund obligation:	-	-
Present value of fund obligation	5,111,351	4,911,000
Current service costs	523,847	507,000
Interest costs	419,776	506,000
Benefits paid	(493,318)	(321,287)
Actuarial (gains) losses	265,962	(491,362)
<b>Balance as at 30 June</b>	<b>5,827,618</b>	<b>5,111,351</b>
<b>Present value</b>		
Balance	5,827,618	5,111,351
	<b>5,827,618</b>	<b>5,111,351</b>

#### Environmental rehabilitation provision

# Blouberg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 15. Provisions (continued)

The Alldays and Senwabarwana Land fill sites are permitted facilities in terms of section 20 of environmental conservation Act 73 of 1989. The provision for rehabilitation of landfill sites relate to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation discounted at 10%, which is the Prime rate as at June 2018. Both landfill sites are expected to be in operation for a period of 5 years from July 2019.

### 16. Payables from exchange transactions

Trade payables	17,959,913	13,069,148
Payments received in advance	3,575,976	3,705,736
Retentions	13,156,251	14,867,764
13th cheque provision	2,118,302	2,018,754
Sale of stands deposits	171,610	1,045,489
Other Creditors	835,483	245,703
Landfill site	4,403,749	4,403,749
	<b>42,221,284</b>	<b>39,356,343</b>

Included in Payables from exchange transactions is the amount of R- (2018: R864 769) relating to monies paid by customers for the sale of stands. Once ownership has been transferred to customers, a reallocation will be made from Payables to sale of stands in the statement of financial performance thereby realising the revenue from sale of stands.

### 17. Revenue

Service charges	22,984,085	23,336,476
Rental of facilities and equipment	684,825	851,274
Licences and permits	3,699,166	3,999,118
Other revenue - refer to note 20	43,808	38,150
Other revenue - refer to note 20	-	36,916
Other revenue - refer to note 20	244,088	237,157
Other revenue - refer to note 20	140,643	212,753
Other revenue - refer to note 20	2,535	-
Interest on Outstanding Debtors	1,286,914	128,539
Other revenue - refer to note 21	3,250,360	286,962
Farming Income	52,942	124,685
Interest received - Investments & Current accounts	1,307,931	1,797,960
Property rates	24,056,427	22,472,235
Government grants & subsidies	234,299,022	256,301,916
Fines	1,784,480	3,282,760
	<b>293,837,226</b>	<b>313,106,901</b>

### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	22,984,085	23,336,476
Rental of facilities and equipment	684,825	851,274
Licences and permits	3,699,166	3,999,118
Photocopies & Electricity Illegal connections	43,808	38,150
Tender Documents	-	36,916
CDM - Commissions received	244,088	237,157
Cemetery, Burial & Plans approval fees	140,643	212,753
Valuation Services	2,535	-
Interest on Outstanding Debtors	1,286,914	128,539
Sale of Inventory - Sites/Land	3,250,360	286,962
Cattle Grazing	52,942	124,685
Interest received - investment	1,307,931	1,797,960
	<b>33,697,297</b>	<b>31,049,990</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	24,056,427	22,472,235
<b>Transfer revenue</b>		
Government grants & subsidies	234,299,022	256,301,916
Fines	1,784,480	3,282,760
	<b>260,139,929</b>	<b>282,056,911</b>
<b>18. Service charges</b>		
Sale of electricity	22,470,453	22,909,644
Sewerage and sanitation charges	249,046	177,853
Refuse removal	264,586	248,979
	<b>22,984,085</b>	<b>23,336,476</b>
<b>19. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	684,825	851,274
<b>20. Other revenue</b>		
Electricity Fines - illegal connections	30,296	17,768
Photocopies and Faxes	13,512	20,382
Tender Documents	-	36,916
CDM - Commissions received	244,088	237,157
Building Plans approvals	124,863	194,597
Cemetery and Burial fees	15,780	18,156
Valuation Services	2,535	-
Interest charges on overdue account	1,286,914	128,539
Cattle Grazing	52,942	124,685
	<b>1,770,930</b>	<b>778,200</b>
<b>21. Sale of inventory - Sites/Stand</b>		
Sale of sites/stands	3,250,360	286,962
<b>22. Interest received - investment</b>		
<b>Interest revenue</b>		
Investments	1,307,931	1,797,960

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### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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#### 23. Property rates

##### Rates received

Residential	1,625,118	514,134
Commercial	1,980,537	1,830,499
State-owned	19,155,045	18,845,351
Small Holdings & Farms	1,295,727	1,282,251
	<b>24,056,427</b>	<b>22,472,235</b>

##### Valuations

Residential	467,408,820	467,408,820
Commercial	362,313,000	362,313,000
State-owned	376,160,000	376,160,000
Municipalities	54,244,200	54,244,200
Other	5,620,500	5,620,500
Small Holdings and farms	3,199,802,565	3,199,802,565
	<b>4,465,549,085</b>	<b>4,465,549,085</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	167,730,000	161,115,187
Financial Management Grant (FMG)	2,534,000	2,533,000
Municipal Systems Improvement Grant (MSIG)	1,055,000	-
Municipal Demarcation Transition Grant (MDTG)	-	3,044,000
Expanded Public Works Programme (EPWP)	1,089,000	1,562,000
Capricorn District Municipality Grant (CDM)	3,232,105	5,137,263
National Skills Fund Grant (NSFG)	6,783,826	25,855,950
	<b>182,423,931</b>	<b>199,247,400</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	43,491,000	46,554,516
Integrated National Empowerment Programme (INEP)	3,518,844	10,500,000
Energy Efficiency Demand Management Grant (EEDMG)	4,865,247	-
	<b>51,875,091</b>	<b>57,054,516</b>
	<b>234,299,022</b>	<b>256,301,916</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Financial Management Grant (FMG)

Current-year receipts	2,534,000	2,533,000
Conditions met - transferred to revenue	(2,534,000)	(2,533,000)
	-	-

### Municipal Systems Improvement Grant (MSIG)

Current-year receipts	1,055,000	-
Conditions met - transferred to revenue	(1,055,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

### Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of year	-	4,071,319
Current-year receipts	-	3,044,000
Conditions met - transferred to revenue	-	(3,044,000)
Other	-	(4,071,319)
	-	-

Conditions still to be met - remain liabilities (see note 13).

### Capricorn District Municipality (CDM)

Balance unspent at beginning of year	-	167,262
Current-year receipts	1,650,000	4,970,000
Conditions met - transferred to revenue	(3,232,105)	(5,137,262)
Accrued Grant Debtor	1,650,000	-



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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 24. Government grants and subsidies (continued)

	67,895	-
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Conditions still to be met - remain liabilities (see note 13).

In the current year CDM committed to a grant of R3 300 000 to Blouberg Local Municipality. As at 30 June 2019 the grant was not received in full as expected, a total amount of R1 650 000 is due and payable by Capricorn District Municipality (CDM). The grant received was not sufficient to cover the costs incurred resulting in the municipality to cover the costs of R1 582 105 which is recoverable from CDM. The outstanding Grant was received in July 2019 and a debtor was raised of an amount of R1 650 000 refer to **Note 7**.

#### Expanded Public Works Programme (EPWP)

Current-year receipts	1,089,000	1,562,000
Conditions met - transferred to revenue	(1,089,000)	(1,562,000)
	-	-

Conditions still to be met - remain liabilities (see note 13)

#### National Skills Fund Grant (NSF)

Balance unspent at beginning of year	699,786	253,153
Current-year receipts	6,244,469	26,302,583
Conditions met - transferred to revenue	(6,783,827)	(25,855,950)
	160,428	699,786

Conditions still to be met - remain liabilities (see note 13).

#### Integrated National Empowerment Programme (INEP)

Current-year receipts	4,295,000	10,500,000
Conditions met - transferred to revenue	(3,518,844)	(10,500,000)
	776,156	-

#### Municipal infrastructure Grant ( MIG)

Balance unspent at beginning of year	-	2,532,525
Current-year receipts	43,491,000	45,090,000
Conditions met - transferred to revenue	(43,491,000)	(46,554,516)
Other	-	(1,068,009)
	-	-

Conditions still to be met - remain liabilities (see note 13).

#### Energy Efficient and Demand Management Grant (EEDMG)

Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(4,865,247)	-
	134,753	-

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>25. Employee related costs</b>		
Basic Salary	59,341,976	56,550,516
Bonus	4,651,477	5,205,689
Medical aid - company contributions	3,881,927	3,611,307
Unemployed Insurance Fund (UIF)	400,277	350,475
Skills Development Levy (SDL)	920,899	747,113
Leave pay provision charge	596,590	2,598,112
Pension Fund contributions	12,446,692	11,799,283
Defined contribution plans	510,259	-
Travel, motor car, accommodation, subsistence and other allowances	14,411,778	13,850,500
Overtime payments	2,393,117	2,170,304
Long-service awards	523,847	507,000
Acting allowances	195,937	361,405
Car allowance	329,113	-
Housing benefits and allowances	267,405	191,492
Daily Allowances	100,000	-
Bargaining Council	20,166	19,841
Standby allowance	586,749	457,683
Telephone & CellPhone allowances	1,973,748	1,820,108
	<b>103,551,957</b>	<b>100,240,828</b>

### Remuneration of municipal manager

Annual Remuneration	860,636	582,145
Car Allowance	286,070	232,311
Performance Bonuses	-	59,555
Contributions to UIF, Medical and Pension Funds	131,363	121,579
Other allowances	26,071	79,480
Back pay	-	187,456
	<b>1,304,140</b>	<b>1,262,526</b>

### Remuneration of chief finance officer

Annual Remuneration	634,156	141,719
Car Allowance	191,549	40,156
Contributions to UIF, Medical and Pension Funds	99,493	22,350
Leave pay	-	155,444
Other allowances	22,241	28,955
Back pay	-	38,712
	<b>947,439</b>	<b>427,336</b>

### Remuneration of Senior Management

Remuneration of Senior Management - 2019	Technical Services	Economic Development and Planning	Corporate Services	Community Services		Total
Annual Remuneration	-	693,594	667,889	640,169	-	2,001,652
Acting allowance	14,398	-	-	-	-	14,398
Travel, motor car, accommodation, substance and other allowances	-	234,375	213,096	213,096	-	660,567
Contributions to UIF, Medical and Pension Funds	-	131,814	100,186	100,186	-	332,186
Subtotal	14,398	1,059,783	981,171	953,451	-	3,008,803
	<b>14,398</b>	<b>1,059,783</b>	<b>981,171</b>	<b>953,451</b>	<b>-</b>	<b>3,008,803</b>

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## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 25. Employee related costs (continued)

Remuneration of Senior Management- 2018	Technical Services	Economic Development and Planning	Corporate Services	Community Services	Total
Annual Remuneration	830,253	456,857	905,155	-	2,192,265
Bonus 13th Cheque	50,321	15,035	-	-	65,356
Back pay	57,898	179,417	61,976	64,008	363,299
Travel, motor car, accommodation, subsistence and other allowances	138,203	209,765	180,726	57,959	586,653
Contributions to UIF, Medical and Pension Funds	28,143	95,899	-	-	124,042
Leave Pay	186,796	-	-	-	186,796
Subtotal	1,291,614	956,973	1,147,857	121,967	3,518,411
	<b>1,291,614</b>	<b>956,973</b>	<b>1,147,857</b>	<b>121,967</b>	<b>3,518,411</b>

### 26. Remuneration of councillors

Mayor	872,029	838,687
Chief Whip	544,868	640,303
Executive Committee Members	2,611,191	3,437,239
Speaker	566,776	680,144
Councillors	14,853,316	12,671,294
Councillors pension contribution	1,899,201	1,377,775
	<b>21,347,381</b>	<b>19,645,442</b>

### In-kind benefits

The Mayor, Chief Whip, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

### 27. Depreciation and amortisation

Property, plant and equipment	35,256,655	33,591,018
Intangible assets	145,520	27,712
	<b>35,402,175</b>	<b>33,618,730</b>

### 28. Finance costs

Finance leases	661,189	907,022
Long Service Awards	419,776	506,000
	<b>1,080,965</b>	<b>1,413,022</b>

The interest paid is made up of Long service award and the finance lease on the office equipment.

# Blouberg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>29. Debt impairment</b>		
Debt impairment	(2,313,302)	15,396,652
Contributions to debt impairment provision	-	(13,088,015)
	<b>(2,313,302)</b>	<b>2,308,637</b>

During the financial year a total amount of R- (2018: R15 396 652) was presented to the council for a recommendation to be written off due to a bad history of settling outstanding debts with the municipality. 2018 financial year bad debtors relate to all outstanding amounts for the year 2006 to 2011 relating to Rates, Refuse, Traffic fines, electricity, interest and other services charges.

In the current year a reversal of provision for bad debt was raised with an amount of R2 313 302.

### 30. Bulk purchases

Electricity - Eskom	29,686,446	30,319,038
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### 31. Contracted services

#### Presented previously

Information Technology Services	1,698,644	-
Fleet Services	459,520	499,798
Operating Leases	959,789	790,461
Other Contractors	11,227,816	10,462,803

# Blouberg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>32. General expenses</b>		
Administration and management fees	2,810,526	3,601,396
Advertising	507,850	569,667
Audit fees	3,660,739	3,145,375
Bank charges	395,849	727,608
Provision for restoration costs of landfill site	627,138	476,529
EPWP costs	3,580,915	4,790,914
Consulting and professional fees	10,605,969	9,818,231
Inventory adjustment - Consumables	-	(1,712,000)
Municipal Demacation costs	-	4,613,156
Workmens Compensation Costs	452,900	5,733,375
PMS Cost	569,436	697,758
MPAC expenses	485,751	270,243
Insurance	771,755	838,550
Conferences, Accomodation and seminars	2,402,542	2,341,330
IT expenses	316,756	496,222
NSFG Costs	6,153,863	26,457,928
Fuel Costs	5,697,000	3,714,777
Postage Costs	12,440	9,035
Printing and stationery	1,902,254	1,336,027
Promotions	280,979	76,034
Master Plans for LDP	818,194	3,369
Repairs and maintenance	2,119,504	2,437,611
Poverty Alleviation	497,510	281,013
Staff welfare	1,630,956	58,601
Subscriptions and membership fees	1,272,107	1,171,810
Telephone and fax	1,636,968	2,007,710
Training Costs	622,124	658,292
Subsistence and travel	6,402,607	4,230,515
Refuse bags	-	58,205
Group Insurance	132,765	116,571
Water & Electricity	-	21,714
Special Focus	114,741	871,578
Audit committee fees	481,566	485,995
Bursaries	180,980	59,079
Public participation	1,186,616	775,194
Licence fees - vehicles	120,294	125,521
Refreshments	160,757	271,202
Remuneration of ward committee members	3,905,080	3,016,176
Free basic services electricity	2,847,366	162,058
Support of ward committee	1,329,046	1,785,431
Sport Development	655,853	1,212,670
Other expenses	6,173,342	7,089,192
	<b>73,523,038</b>	<b>94,901,662</b>

## 33. Auditors' remuneration

Fees	3,660,739	3,145,375
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## Blouberg Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>34. Cash generated from operations</b>		
Surplus	15,045,566	18,670,708
<b>Adjustments for:</b>		
Depreciation and amortisation	35,256,655	33,591,018
Loss on sale of assets and liabilities	119,130	754,846
Finance costs - Finance leases	661,189	907,022
Interest income	(2,854,714)	(2,181,812)
Debt impairment	(2,313,302)	2,308,637
Movements in provisions	1,988,851	2,358,958
<b>Changes in working capital:</b>		
Inventories	2,526,772	(3,510,198)
Receivables from exchange transactions	(1,963,009)	(3,878,082)
Consumer debtors	(2,610,452)	(481,675)
Receivables from non-exchange transactions	(23,806,340)	493,535
Payables from exchange transactions	2,864,945	(1,832,149)
VAT	11,927,093	(9,462,857)
Taxes and transfers payable (non exchange)	3,761,259	-
Unspent conditional grants and receipts	439,447	(6,324,474)
	<b>41,043,090</b>	<b>31,413,477</b>

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>35. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	1,302,346	-
<b>Total capital commitments</b>		
Already contracted for but not provided for	1,302,346	-
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Security Services	7,618,328	18,662,366
• Consulting Services	885,613	1,724,500
• Spacial Development Framework	111,755	428,106
• Development of Growth Strategy	-	40,000
• Other	-	671,693
• Establishment of Bochum, Alldays and Senwabarwana	2,225,062	-
• Mobile Communication Services	2,225,108	-
• MSCOA Project Management	1,740,401	-
• Supply and Installation of Electronic Record Management System	616,193	-
	<b>15,422,460</b>	<b>21,526,665</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	15,422,460	21,526,665
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	1,302,346	-
Authorised operational expenditure	15,422,460	21,526,665
	<b>16,724,806</b>	<b>21,526,665</b>

This committed expenditure relates to Security, consulting, growth strategy and special development services and property, plant and equipments and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 36. Contingencies

Litigation claims are in progress against the municipality relating to various matters who alleges that the municipality has infringed on certain laws and regulations and they are seeking damages totaling 5,198,219. The municipality's lawyers and management consider the likelihood of the actions against the municipality being successful is unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

There is no reimbursement from any third parties for potential obligations of the municipality.

#### Contingent Liabilities

Below is a detail explanation of the nature and financial impact:

1. Kgamaki Jonas Mangweta: Case No. LP/PLK/RC 499/2015 - The plaintiff is suing the municipality for defamation. The matter is still pending due to the plaintiff not having legal representative.	300,000	300,000
2. Machuene Charlese Keetse - The plaintiff is suing the Municipality and the Minister of Police for unlawful arrest and detention. The matter is still pending with no indication of the court date.	300,000	300,000
3. Joseph Manaka - The plaintiff is suing both the municipality and Eskom after he was electrocuted by a half fallen electrical pole after a disaster caused by heavy rainfalls and Winds.	3,800,000	3,800,000
4. IN-SUTU Consulting cc - The plaintiff is suing various entities including the Municipality as the Eighth defendant in a contractual dispute relating to a water boreholes drilled around the Municipality's jurisdiction. The Municipality was not party to the contract but merely involved for the sake of formality in terms of the Uniform Rules of Court. The matter is still pending as we await the Applicant to apply for a court date. However it looks like the plaintiff has abandoned the matter	223,419	223,419
5. Overland cruises and logistics - The plaintiff is suing the Premier of Limpopo and the Municipality for non-payment of service rendered, the Premier's office procured transport services to ferry residents of Blouberg Municipality to Polokwane during a memorial service of the late former President Nelson Mandela. N J Morero Attorneys has been appointed to act on behalf of the municipality. Still waiting for the matter to be set down.	574,800	574,800
	<b>5,198,219</b>	<b>5,198,219</b>



# Blouberg Local Municipality

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Figures in Rand	2019	2018
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### 37. Related parties

#### Relationships

Controlled by the same government - legislatively (MFMA Act)

Department of Transport

Controlled by the same government - legislatively (MFMA Act)

Capricorn District Municipality (CDM)

The municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services and also receives a Grant from the Municipality.

#### Related party balances

The balance relate to the unspent Grant received from Capricorn District Municipality for the period ended 31 March 2019 for the use of Landfill sites. The current year Grant received was fully spent.

#### Amounts included in Trade receivable (Trade Payable) regarding related parties

Capricorn District Municipality - (Water)	(1,498,066)	(3,881,254)
Capricorn District Municipality - (Commission)	481,245	237,157
Department of Transport	5,031,843	3,660,790
CDM Grant Debtor	1,650,000	-

#### Provision for doubtful debts related to outstanding balances with related parties

Department of Transport - Traffic fines	3,247,363	1,770,425
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#### Expenses recognised in respect of bad or doubtful debts

Department of Transport - Traffic fines	850,970	1,231,740
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#### Related party transactions

##### Commission received from related parties

Capricorn District Municipalities (CDM) - Water	244,088	237,157
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##### Traffic fines, permits and Licences

Department of transport - Fines	1,784,480	3,282,760
Department of transport - Licenses & Permits	3,699,166	3,999,118

##### Grants received from related parties

Capricorn District Municipality (CDM)	3,232,105	3,470,000
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#### Debtors balance with key management

	Opening balance	Billings/payments	Closing balance
Tshoshi M	283	3,801	4,084
Thamaga NM	274	3,485	3,759
Selamolela S	508	8,495	9,003
	<b>1,065</b>	<b>15,781</b>	<b>16,846</b>

The above executive members have balances included in the Receivables from exchange and non-exchange transactions relating to the assessment rates, refuse, water and interest charged on overdue accounts. Payables as and when the members pay to the municipality. ]

#### Key management information

Class	Description	Number
Chief Financial Officer	Mabote J	1
Executive Committee members	Refer below under councillors/Mayoral committee members	7
Mayor	Pheedi MS	1

# Blouberg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand		2019	2018
<b>37. Related parties (continued)</b>			
Councillors	Refer below under Councillors/Mayoral committee members	34	
Municipal Managers	Machaba MJ	1	

## Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

### Notes to the Annual Financial Statements

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#### 37. Related parties (continued)

##### Remuneration of management

##### Municipal Manager and Chief Financial Officer

#### 2019

	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
<b>Name</b>				
Machaba MJ	860,636	312,140	131,363	1,304,139
Mabote J	634,156	213,096	100,186	947,438
	<b>1,494,792</b>	<b>525,236</b>	<b>231,549</b>	<b>2,251,577</b>

#### 2018

	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
<b>Name</b>				
Machaba MJ	823,522	232,311	106,422	1,162,255
Mokonyama MF	141,719	195,600	37,538	374,857
	<b>965,241</b>	<b>427,911</b>	<b>143,960</b>	<b>1,537,112</b>

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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### 37. Related parties (continued)

#### Councillors/Executive Committee Members

##### 2019

Name	Basic salary	Allowances	S & T	Total
Pheedi MS	608,873	203,282	-	812,155
Tshoshi MM	456,656	152,663	152,711	762,030
Thamaga MN	487,100	162,810	147,277	797,187
Mathidza SE	192,686	64,672	85,634	342,992
Makobela SR	456,656	152,663	182,589	791,908
Mashalane MS	456,676	152,663	176,766	786,105
Morapedi AM	456,656	152,663	141,103	750,422
Makhura MH	254,759	128,466	156,011	539,236
Rangata MJ	254,759	85,345	200,520	540,624
Maila MP	254,759	128,466	132,888	516,113
Ntlatla MW	254,759	85,345	141,378	481,482
Masekwameng MR	192,686	64,672	59,424	316,782
Raseruthe MA	192,686	64,672	124,461	381,819
Lehong MV	192,686	64,672	144,903	402,261
Tlouamma NM	192,686	64,672	66,421	323,779
Moetjie NT	192,686	64,672	176,189	433,547
Mojodo MD	192,686	64,672	202,262	459,620
Seema MI	192,686	64,672	114,697	372,055
Maifo ML	192,686	64,672	195,798	453,156
Mokobodi CS	192,686	64,672	38,566	295,924
Moshokoa MS	192,686	64,672	109,612	366,970
Murathi MS	192,686	64,672	127,840	385,198
Molema MN	192,686	64,672	126,640	383,998
Sebetha MJ	192,686	64,672	126,894	384,252
Makgakga JP	192,686	64,672	113,239	370,597
Ramoba MR	192,686	64,672	134,515	391,873
Sekgoloane MJ	247,280	126,827	147,546	521,653
Molokomme MM	192,686	64,672	121,003	378,361
Mphago MA	192,686	64,672	132,018	389,376
Modingwana MG	192,686	64,672	141,918	399,276
Setwaba DS	192,686	64,672	158,430	415,788
Maleka NG	192,686	64,672	78,427	335,785
Magwai RT	192,686	64,672	124,905	382,263
Madzhe AE	192,686	64,672	143,593	400,951
Selamolela S	192,686	64,672	90,794	348,152
Madibana SS	192,686	64,672	122,147	379,505
Phoshoko NC	192,686	64,672	65,603	322,961
Mabolola SJ	192,686	64,672	92,305	349,663
Chula MI	192,686	64,672	76,985	334,343
Morudu Mf	192,686	64,672	74,426	331,784
Madibana MR	192,686	64,672	69,734	327,092
Madiope MT	192,686	64,672	115,087	372,445
Tefo LT	192,686	64,672	114,259	371,617
Tjumana MM	192,686	64,672	125,221	382,579
	<b>10,547,571</b>	<b>3,665,369</b>	<b>5,372,739</b>	<b>19,585,679</b>

##### 2018

Name	Basic salary	Allowances	S & T	Total
Pheedi MS	582,472	229,641	850	812,963

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## Notes to the Annual Financial Statements

Figures in Rand	2019			2018
<b>37. Related parties (continued)</b>				
Tshoshi MM	437,043	181,081	90,486	708,610
Thamaga MN	466,229	190,792	58,509	715,530
Mathidza SE	183,561	96,587	62,701	342,849
Makobela SR	437,043	181,081	120,341	738,465
Mashalane MS	437,043	181,081	118,442	736,566
Morapedi AM	437,043	181,081	93,626	711,750
Makhura MH	242,696	116,298	92,391	451,385
Rangata MJ	242,696	116,298	244	359,238
Maila MP	242,696	116,298	102,775	461,769
Ntlatla MW	242,696	116,298	76,960	435,954
Masekwameng MR	183,561	96,587	26,480	306,628
Raseruthe MA	183,561	96,587	95,353	375,501
Lehong MV	183,561	96,587	117,129	397,277
Tlouamma NM	183,561	96,587	74,658	354,806
Moetjie NT	183,561	96,587	120,525	400,673
Mojodo MD	183,561	96,587	131,849	411,997
Seema MI	183,561	96,587	70,147	350,295
Maifo ML	183,561	96,587	153,711	433,859
Mokobodi CS	183,561	96,587	-	280,148
Moshokoa MS	183,561	96,587	83,105	363,253
Murathi MS	183,561	96,587	102,577	382,725
Molema MN	183,561	96,587	101,849	381,997
Sebetha MJ	183,561	96,587	91,936	372,084
Makgakga JP	183,561	96,587	72,894	353,042
Ramoba MR	183,561	96,587	108,803	388,951
Sekgoloane MJ	235,570	114,090	102,897	452,557
Molokomme MM	183,561	96,587	94,358	374,506
Mphago MA	183,561	96,587	86,058	366,206
Modingwana MG	183,561	96,587	96,402	376,550
Setwaba DS	183,561	96,587	114,988	395,136
Maleka NG	183,561	96,587	50,736	330,884
Magwai RT	183,561	96,587	101,688	381,836
Madzhe AE	183,561	96,587	100,066	380,214
Selamolela S	183,561	96,587	-	280,148
Madibana SS	183,561	96,587	84,210	364,358
Phoshoko NC	183,561	96,587	38,559	318,707
Mabolola SJ	183,561	96,587	48,991	329,139
Chula MI	183,561	96,587	53,045	333,193
Morudu Mf	183,561	96,587	55,086	335,234
Madibana MR	183,561	96,587	70,723	350,871
Madiope MT	183,561	96,587	57,881	338,029
Tefo LT	183,561	96,587	67,263	347,411
Tjumana MM	183,561	96,587	84,797	364,945
	<b>10,060,740</b>	<b>4,911,410</b>	<b>3,476,089</b>	<b>18,448,239</b>

### Senior management

#### 2019

Name	Technical Services	Local Economic Development	Corporate Services	Community Services	Total
Annual remuneration	-	693,594	667,889	640,169	2,001,652
Acting allowances	14,398	-	-	-	14,398
Travel, Motor Car, Accommodation	-	234,375	213,096	213,096	660,567
Contribution to UIF and Medical Aid	-	2,541	2,330	2,330	7,201
Contribution to Pension Funds	-	129,274	97,857	97,857	324,988

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Annual Financial Statements for the year ended June 30, 2019

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### 37. Related parties (continued)

14,398	1,059,784	981,172	953,452	3,008,806
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### 2018

	Technical Services	Local Economic Development	Corporate Services	Total
<b>Name</b>				
Annual remuneration	830,253	659,000	187,798	1,677,051
Leave pay	-	-	424,375	424,375
Travel, Motor Car, Accommodation and other allowances	54,522	164,035	114,676	333,233
Contribution to UIF and Medical Aid	446	1,785	595	2,826
Contribution to pension fund	25,880	100,509	33,804	160,193
	<b>911,101</b>	<b>925,329</b>	<b>761,248</b>	<b>2,597,678</b>

### 38. Prior period errors

As a result of incorrect actual collections for water and waste water, CDM commission was incorrectly calculated. And adjustment was recalculated after obtaining actual receipts for the 2017/2018 financial year amounting to R1 476 496. A retrospective restatement will be done.

It was identified that Aganang assessment rates have been successfully migrated into the debtors module and form part of billing, a duplicate journal was processed in 2018 as a correction journal to address audit finding. The journal should be reversed to ensure that the vote agrees with the age analysis. an adjusting journal amounting to R4 129 544 will be processed retrospectively.

During the current year it was identified that the age analysis was not in agreement with the votes from previous years and an investigation was performed to identify the issues. it was identified that there were differences and journals have been passed to correct the differences. a total impact of R9 711 614 will be adjusted to Property rates, electricity and Refuse receivables.

During the current year it was identified that during verifications there was land/sites identified as not included in the inventory listing amounting to R464 000, the values used was from a valuation roll which is still valid until 2020. an adjustment was done retrospectively.

It was identified that the interest received in the previous year was incorrectly recorded in the accounting records amounting to R677 537 and was different from the bank statement and confirmation.

It was identified that there was salary suspense account figures and provision for electricity for advance payments for electricity for units bought on the last three days of June relating to prior years not being reversed. an adjustment was done with amounts of R363 675 (Electricity provision) and R318 559 (salary suspense) respectively.

During the current year a VAT Consultant was appointed to review the correctness of VAT claims for prior years starting from 2014 until 2018. it was identified that there was invoices incorrectly disallowed by SARS amount to R12 088 236 relating. the payment was received in the current year under review, a retrospective adjustment will be made.

During the current year it was identified that the third party refund was incorrectly recognised as a liability which was reversed in the current year relating to prior years refunds amounting to R1 344 038. a retrospective adjustment will be made.

During the current year an assessment of useful lives was performed for all Other assets categories which resulted in the adjustment of opening accumulated depreciation with an amount of R6 264 917 and adjusting the accumulated surplus of the previous years. the adjustment is also disclosed in the prior period error.

During the physical verification of assets the municipality identified a piece of land that was not included in the asset register, a professional valuer was appointed to determine the market value of the land which will be regarded as a deemed cost for accounting purposes. It was determined to be R6 750 000 which adjusted the opening balance of Land and Buildings and disclosed as a prior period error.

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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### 38. Prior period errors (continued)

During the current year it was identified that an amount of R205 000 was incorrectly classified as Investment property from the prior years, this cost was restated and written off and adjusted for the prior period possible.

				-	1
<b>Statement of Financial Position</b>	<b>Previously reported</b>	<b>Correction of error</b>	<b>Reclassification</b>	<b>Restated balances</b>	
Investments	3,767,074	(677,537)	-	3,089,537	
Inventories - Consumables & Land/Sites	6,925,355	464,000	-	7,389,355	
Receivables from non-exchange transactions	85,780,410	(19,379,316)	-	66,401,094	
Receivables from exchange transactions	3,694,969	(2,820,534)	(26)	874,409	
Payables from exchange transactions	(46,104,567)	4,328,016	2,420,210	(39,356,341)	
VAT receivables	2,670,202	12,088,236	(1,069,579)	13,688,859	
Consumer Debtors	8,627,777	1,161,468	(1,049,445)	8,739,800	
Cash & Cash Equivalent	15,884,563	-	(301,160)	15,583,403	
Property, Plant and Equipment	893,811,968	14,694,039	-	908,506,007	
Investment Properties	205,000	(205,000)	-	-	
	<b>975,262,751</b>	<b>9,653,372</b>	<b>-</b>	<b>984,916,123</b>	

<b>Statement of Financial Performance</b>	<b>Previously reported</b>	<b>Correction of error</b>	<b>Reclassification</b>	<b>Restated balance</b>	
Property Rates	25,289,619	(2,817,383)	-	22,472,236	
General expenses	(94,911,586)	9,924	-	(94,901,662)	
Interest received on investments	2,475,497	(677,537)	-	1,797,960	
CDM Commission received	2,551,581	(1,476,496)	-	1,075,085	
Depreciation	35,270,140	(1,664,131)	-	33,606,009	
	<b>(29,324,749)</b>	<b>(6,625,623)</b>	<b>-</b>	<b>(35,950,372)</b>	

### 39. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

<b>At June 30, 2019</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	30,562,804	-	-	-
<b>At June 30, 2018</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	48,001,129	-	-	-

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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### 39. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

### 40. Going concern

We draw attention to the fact that at June 30, 2019, the municipality had an accumulated surplus of 970,248,405 and that the municipality's total liabilities exceed its assets by 970,248,405.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality to remain in force for as long as it takes to restore the solvency of the municipality.

### 41. Events after the reporting date

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2019.

### 42. Unauthorised expenditure

Opening balance as previously reported	-	85,461,181
<b>Opening balance as restated</b>	-	<b>85,461,181</b>
Less: Amount written off - current	-	(85,461,181)
<b>Closing balance</b>	-	-

Unauthorised expenditure for the 2019 financial year under review amounts to R - (2018: R - ). During the financial year under review, the council writes off expenditure of an amount of R- (2018: R85 461 181) relating to the prior years unauthorised expenditure.

### 43. Fruitless and wasteful expenditure

Opening balance as previously reported	286,631	475,457
Correction of prior period error	2,393	-
<b>Opening balance as restated</b>	<b>289,024</b>	<b>475,457</b>
Add: fruitless and wasteful expenditure current year	1,022	286,631
Less: Amount written off - current	(286,631)	(475,457)
<b>Closing balance</b>	<b>3,415</b>	<b>286,631</b>

Fruitless and wasteful expenditure is as a result of interest expenses incurred due to late payments of supplier invoice. It was resolved by MPAC that the amount of R2 393 which was paid to an employee as normal time instead of overtime be recovered from the employee concerned and the current year amount of R1 022 is still under investigation and decision will be taken once the outcome of the investigation is known.



# Blouberg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>44. Irregular expenditure</b>		
Opening balance	13,959,006	89,163,620
Correction of prior period error	(1,339,400)	-
<b>Opening balance as restated</b>	<b>12,619,606</b>	<b>89,163,620</b>
Add: Irregular Expenditure Current year	12,744,386	13,959,006
Less: Amount written off - current	(25,326,192)	(89,163,620)
<b>Closing balance</b>	<b>37,800</b>	<b>13,959,006</b>

### Amounts written-off

The municipality had disclosed an Irregular expenditure of R13 959 006 in the annual financial statements as at 30 June 2018, which is composed of R11 958 853.10 for security services and R1 998 949.29 as audit finding relating non compliance with laws and regulations relating to payroll and supply chain management. An amount relating to R11 958 853 has already been written off by council in the previous financial year (refer to regulation C145 of 2017/2018 and C21 of 2018/2019). The irregular is for security tender which has been contracted for 36 months and the amount will be disclosed as and when is incurred until the end of the contract. (also reference can be made to the council resolution no C48/2018/2019 of the same tender. Therefore in the current financial year, the amount relating to security relate to R12 706 586 will also be written off in the current year using the same council resolution which was passed in the prior year (C145 of 2017/2018 and C21 of 2018/2019) and also the restated opening balance of R12 619 606 should also be written off using the same mentioned council resolution.

### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	1,244,343	2,381,152
Amount paid - current year	(1,244,343)	(2,381,152)
	-	-

#### Audit fees

Current year subscription / fee	3,660,739	1,092,498
Amount paid - current year	(3,586,870)	(1,092,498)
	<b>73,869</b>	-

The difference relate to an accrual raised for an invoice which was paid and not reversed in the current year.

#### PAYE and UIF

Current year subscription / fee	18,772,964	29,840,651
Amount paid - current year	(18,772,964)	(29,840,651)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	20,047,610	15,493,085
Amount paid - current year	(20,047,610)	(15,493,085)
	-	-

#### VAT

VAT receivable	3,651,522	13,688,859
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VAT output payables and VAT input receivables are shown in note .

# Blouberg Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Water services and gym equipment Plant Machinery were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Supplier name	Reason	Amount	Total
Matome Frans Construction - Transporation of 14 cattle from stolzenfels to Witten pounding station for municipality	Only local service provider	6,480	6,480
Matome Frans Construction - Transporation of 14 cattle from Bandelierkop auction to Witten pounding station for municipality	Only local service provider	7,080	7,080
Matome Frans Construction - Transporation of 25 donkeys from joos boedery auction to Witten pounding station for municipality	Only local service provider	2,838	2,838
Lindelani Assessment Services - Assessment of Senior Managers	Sole Service provider	36,437	36,437
Tumishi Electrical & Building Construction - Downgrading of Meter Tariff	Services was required urgently	68,425	68,425
Surgorite - Purchase of Transformer(Cracow Village)	Emergency order	85,500	85,500
Firm Supply Trading - Purchase of Transformers -Silvermine Village	Emergency order	165,000	165,000
Surgorite - Purchase of Transformer(Alldays)	Emergency order	88,750	88,750
North west University - Registration for councillors	Sole service provider for the module required	66,100	66,100
Batsibi Technologies - Purchase of CPU Processors & 2 Proc-curve switches for PSU and UPS	Emergency order - server was down	191,194	191,194
Government Printing Works - Purchase of Rates and Taxes ordinary provincial By-law	Sole service provider	35,308	35,308
Surgorite - Purchase of Transformer(Ga-hlako Village)	Emergency order	50,000	50,000
Madibana IT Solutions & Cabling - Network Testing Internet Down and Repairs	Emergency order	122,150	122,150
Gold Circle - Purchase of Transformer(Milbank Village)	Emergency Order	95,750	95,750
NTR Investments - Purchase of Transformer(Cracow Village)	Emergency order	75,450	75,450
RGR Services - Servicing of Municipal Grader DGL 406 L	Authorised dealer for Volvo parts	4,806	4,806
VW - Maintenance of crafter	Sole provider for VW services	30,870	30,870
Conlog - Purchase of meter boxes	Emergency	194,954	194,954
Gold Circle (Pty) Ltd - Purchase of Transformer(Makgari Village)	Emergency	40,000	40,000

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>46. Deviation from supply chain management regulations (continued)</b>		
Gold Circle (Pty) Ltd - Purchase of Transformer(Makgari Village)	Emergency 85,000	85,000
Dept of National School of Governance - Registration for councillors	Sole service provider 118,800	118,800
University of Witwatersrand - Payment for tuition/Registration fee for Councillor Choshi	Sole service provider 32,250	32,250
Gold Circle (Pty) Ltd - Purchase of Transformer(Alldays)	Emergency 95,000	95,000
Phuthadichaba Trading Enterprise - Protection of Mayor's house	Emergency 62,100	62,100
Lesedi Guarding & Trading Services - Protection of Inveraam MPCC	Emergency 20,700	20,700
Muhlaba Accountants Bookkeepers and tax Practitioners - Listing of all disallowed invoices discovered by AGSA during 2017/18 audit execution	Service was urgently required 180,000	180,000
Subtotal	1,960,942	1,960,942
	<b>1,960,942</b>	<b>1,960,942</b>

### 47. Distribution Losses

Electricity	3,054,194	2,547,359
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The municipality purchased 21 321 325 units (2018: 20 753 076 units) from Eskom and sold 19 177 731 units (2018: 18 738 639 units) resulting in a difference of 2 143 594 units (2018: 2 076 583 units) between the purchases and sales. This amounts to a distribution loss of 10.05% (2018: 9.71%).

### 48. Explanation of Variances on Actual Costs Versus Budgeted Costs

**Note 1** - The decrease is as a result of non-payment by business customers and CDM boreholes.

**Note 2** - The increase is due to over collection due to mapping of rental income together with rural development fund.

**Note 3** - The increase is as a result of Interst charged on outstanding debts for government properties which was not included in the budgeted figure.

**Note 4** - The decrease is due to budgeting on disposal of land ( Alldays sites)

**Note 5** - The decrease is due to availability of cash in the bank and interest rate received from the bank for the popurse of investing.

**Note 6** - The decrease is due to the municipality planned supplementary during the year under review not approved by council due to community objections.

**Note 7** - The decrease is due to number of fines withdrawn or reduced by the prosecutor

**Note 8** - The finance costs was budgeted under employee cost and Contracted services.

**Note 9** - The decrease is due to the fact that repairs is carried out as and when it is necessary/needed.